

PUBLIC DISCLOSURE

November 28, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WELLESLEY BANK

**40 CENTRAL STREET
WELLESLEY, MA 02482**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **WELLESLEY BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **November 28, 2005**. The Division evaluates performance in the assessment area(s) as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following is a summary of the Bank's performance under each of the five criteria.

The Bank's average net loan-to-deposit ratio from December 31, 2003 to September 30, 2005 is 98.6 percent. As of September 30, 2005 the net loan to deposit ratio was 103.7 percent. This level of activity indicates a strong willingness to extend credit. Approximately 67.0 percent of the home mortgage loans by number were made within the assessment area during 2003, 2004 and year to date August 31, 2005. The percentage of originations by borrower income level reveals adequate lending to low- and moderate-income borrowers when compared to the percentage of households throughout the assessment area. The geographic distribution of home mortgage loans is also considered reasonable.

PERFORMANCE CONTEXT

Description of Institution

Wellesley Bank, formerly know as Wellesley Co-operative Bank, is headquartered in Wellesley, Massachusetts. The Bank is a state chartered financial institution which was founded in 1911. As of September 30, 2005, Wellesley Bank had total assets of \$164.7 million. The Bank's main office is located at 40 Central Street, Wellesley Massachusetts. In addition, the Bank operates a full-service branch at 197 Linden Street, Wellesley, Massachusetts and a loan operations center at 47 Church Street, located directly behind the main branch.

Wellesley Bank offers various types of lending products such as adjustable rate mortgage loans, fixed rate mortgage loans, construction loans, land development loans, new and used automobile loans, personal loans and home equity lines of credit. The Bank's portfolio is mainly residential loans; however, small business loans and construction loans have grown substantially for the eight quarters from December 31, 2003 through September 30, 2005. The following table depicts the composition of the institution's loan portfolio as of September 30, 2005.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	65,708	50.0
Non-farm & Non-residential	28,503	21.7
Construction, Land Development and Other Loans	27,138	20.7
Commercial & Industrial Loans	8,389	6.4
Multi-Family (5 or more)	1,228	0.9
Other Consumer Loans (i.e. installment and student loans)	312	0.2
Other Loans	8	0.1
Total Gross Loans	131,286	100%

Source: Call Report of Condition as of September 30, 2005

The Bank was last examined by the Division for compliance with CRA on November 1, 1999 and that examination resulted in an overall CRA rating of Satisfactory. The most recent CRA examination was conducted by the Federal Deposit Insurance Corporation ("FDIC") on July 21, 2003, and also resulted in a Satisfactory rating.

There are no financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area, based on its asset size, product offerings, and branch network.

Description of Assessment Area

The CRA requires a bank to designate one or more assessment area(s) within which its record of helping to meet the needs of its community will be evaluated. The Division evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment areas are expected to consist of Metropolitan Statistical Areas ("MSA"s) or contiguous political subdivisions such as counties, cities, and towns.

The cities and towns, which comprise the Bank's assessment area, include some of the most affluent suburban areas of Boston. The assessment area contains a large portion of upper-income households, above average home prices, and owner occupancy rates are high at approximately 73 percent. The town's downtown area is saturated with small businesses as well as shopping centers and boutiques. Although a residential community, the assessment

PERFORMANCE CONTEXT

area is also an employment center, having several office parks and shopping centers within its borders. The assessment area is also a college community, with institutions such as Babson College, Boston College, and Wellesley College located in this area.

According to 2000 US Census Data, Wellesley Bank's assessment area has a total population of 188,550 total persons. Census tracts are defined as either low-, moderate-, middle- or upper-income based on median Family Household Income ("FHI") within the census tract. The assessment area has a total of 38 census tracts. The assessment area is comprised of the following: 9 or 23.7 percent in middle income and 29 or 76.3 percent in upper income census tracts.

Wellesley Bank defines its assessment area as the cities and towns of Wellesley, Dover, Natick, Needham, Newton, and Weston. All cities and towns in the assessment area are contiguous to the Town of Wellesley. In 2003, all of the cities and towns were located in the Boston MSA. The designation changed in 2004 and became the Boston-Quincy MSA and Cambridge-Newton-Framingham MSA.

Change in MSA for 2004

In 2004, the Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new MSA boundaries, which were effective January 2004. The new definitions resulted in the reintroduction of the term MSA instead of metropolitan area, and changes to the boundaries of many existing MSAs. The application of OMB's 2000 standards resulted in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/MetroDiv boundaries that impact 2004 data.

Please refer to the table below regarding changes in tracts:

Change in Tracts					
Census Tracts	2003 Census Data		2004 Census Data		Change in Number of Census Tracts
	#	%	#	%	
Middle	9	23.7	4	10.5	(5)
Upper	29	76.3	34	89.5	5
Total	38	100.0	38	100.0	-

Demographic information for the Bank's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Bank's 2004 performance while the "older" boundaries were used to evaluate the Bank's 2003 performance.

Please refer to the table below regarding other housing characteristics.

Selected Housing Characteristics by Income Category of the Geography						
Geographic Income Category	Percentage					
	Census Tracts	House holds	Housing Units	Owner-Occupied	Rental Units	Vacant Units
Middle	23.7	27.1	27.0	22.1	41.8	24.6
Upper	76.3	72.9	73.0	77.9	58.2	75.4
Total or Median	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: PCI Corporation, Inc. CRA Wiz 2004

PERFORMANCE CONTEXT (CONTINUED)

Unemployment figures were obtained for the assessment area. The assessment area's unemployment rate ranged from a low of 2.5 percent in the Town of Dover and a high of 3.3 percent in the Town of Natick. The assessment area's unemployment rate was less than the statewide average of 4.8 percent as of October 2005.

Marketplace

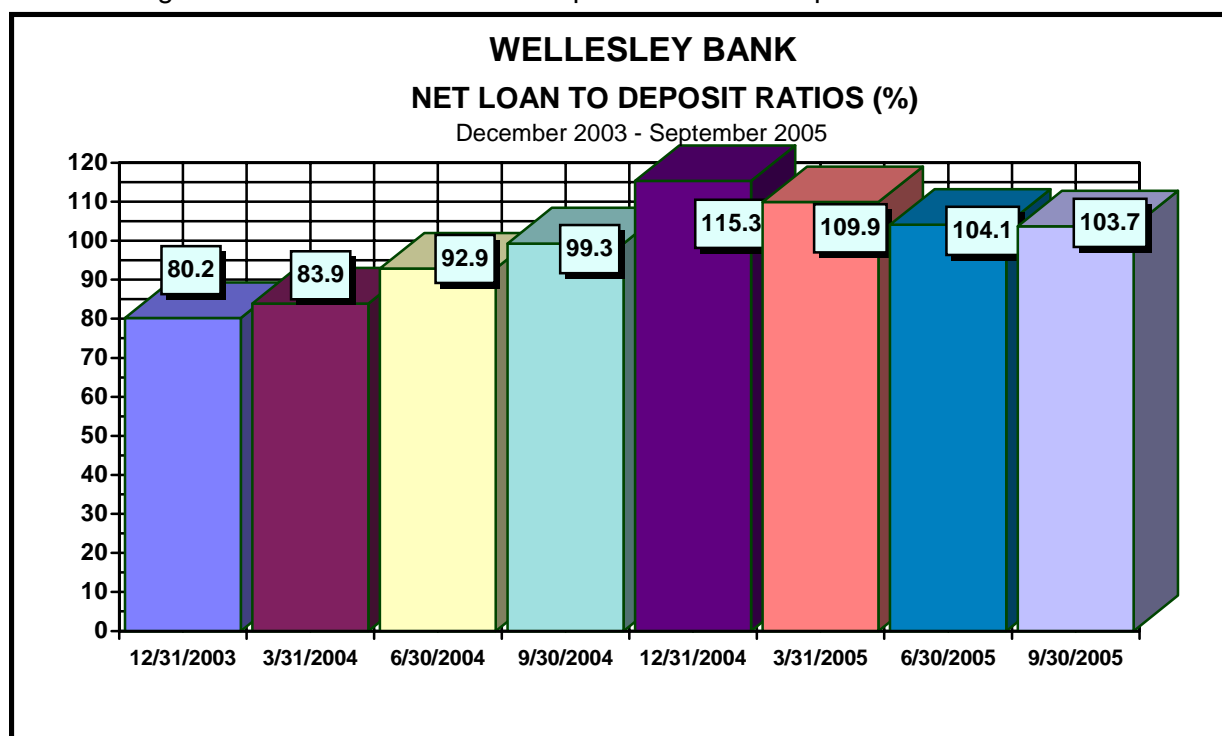
The assessment area's housing prices continue to rise considerably and are among the highest in the state. Statistics published by the Warren Group show that the area's median home sales price for 2004 went from a low of \$345,000 in Natick to a high of \$1,080,000 in Weston.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

As of September 30, 2005, Wellesley Bank had deposits totaling approximately \$126,441,000 as reported in the quarterly Federal Financial Institution Examination Council ("FFIEC") Call Report. Over the last eight quarters, loan growth has outpaced deposit growth. From December 31, 2003 to September 30, 2005, net loans have grown by \$38,953,000 or 42.3 percent and deposits have increased by \$11,541,000 or 10.0 percent. While the Bank focuses its lending efforts in the residential area, it also has experienced significant growth in construction and small business lending, which attributes to the current net loan to deposit ratio. The Bank's average net loan to deposit ratio for the past eight quarters was approximately 98.6 percent. The September 30, 2005 net loan to deposit ratio was 103.7 percent.

The following table details the net loan to deposit ratios for the period under review.



Wellesley Bank's net loan to deposit ratio has fluctuated over the past eight quarters, but has remained very high overall. As previously stated, loan growth has outpaced deposit growth, which is attributed in part to the increased demand of small business and construction loans. The Bank has met this demand by borrowing funds from the Federal Home Loan Bank and by increasing its efforts to offer fixed low rate long-term mortgages which are brokered to correspondents such as Eastern Bank and First Federal Bank of America.

The net loan to deposit ratio is more than reasonable given the institution's size, resources, competition and the credit needs of the assessment area. Based on the above data, the Bank's net loan to deposit ratio exceeds the standards for satisfactory performance.

PERFORMANCE CRITERIA (CONTINUED)

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Wellesley Bank's 2003, 2004 and year-to-date August 31, 2005, Home Mortgage Disclosure Act/Loan Application Registers ("HMDA/LAR"s) were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 125 HMDA-reportable loans totaling approximately \$52,107,000. Of these loans, 84 or 67.2 percent were originated inside the Bank's assessment area totaling \$38,359,000 or 73.6 percent of the total dollar amount.

Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area										
Year	Inside				Outside				Total Loans	
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)		Total Loans	
	#	%	\$	%	#	%	\$	%	#	\$ (000's)
2003	40	69.0%	14,800	72.3%	18	31.0%	5,670	27.7%	58	20,470
2004	36	69.2%	20,374	78.2%	16	30.8%	5,687	21.8%	52	26,061
YTD 2005	8	53.3%	3,185	57.1%	7	46.7%	2,391	42.9%	15	5,576
TOTAL	84	67.2%	38,359	73.6%	41	32.8%	13,748	26.4%	125	52,107

Source: HMDA LAR, CRA Wiz YTD – August 31, 2005

As indicated in the table above, a majority of the Bank's loans originated during the examination period were inside the Bank's assessment area. The number of loans has decreased by approximately 10.0 percent from 2003 to 2004, and even more so for year to date 2005. The decrease in residential loans is due primarily to the rising interest rate environment.

Based on the above information, the analysis indicates that the Bank's comparison of credit extended inside and outside of the assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Bank's HMDA-reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2003 were compared to the median family incomes for the Boston, MA MSA. During 2004, the designation changed and the Bank's activity was compared to the median family incomes for Cambridge-Newton-Framingham, MA MD and the Boston-Quincy MA MD for the cities and towns located in Middlesex County as well as the Boston-Quincy MA MD, which includes the cities and towns located in Norfolk County. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Refer to the following table for additional information of the median family incomes for the time periods reviewed.

MSA / MA MD	2003	2004	2005
Boston MSA	\$80,800	-	
Cambridge-Newton-Framingham MA MD	-	\$79,983	\$89,350
Boston-Quincy MA MD		\$75,300	\$76,400

PERFORMANCE CRITERIA (CONTINUED)

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows, by number, HMDA-reportable loans to low-, moderate-, middle- and upper-income borrowers in comparison to the percentage of total households within the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income										
Median Family Income Level	% Total Households	2004 Aggregate Data (% of #)	2003		2004		2005 YTD*		Total	
			#	%	#	%	#	%	#	%
Low	13.7%	2.2%	1	2.5%	0	0.0%	1	12.5%	2	2.4%
Moderate	10.1%	8.5%	6	15.0%	2	5.6%	1	12.5%	9	10.7%
Middle	13.8%	16.0%	8	20.0%	3	8.3%	1	12.5%	12	14.3%
Upper	62.4%	54.6%	23	57.5%	28	77.8%	4	50.0%	55	65.5%
NA	0.0%	18.7%	2	5.0%	3	8.3%	1	12.5%	6	7.1%
Total	100.0%	100.0%	40	100.0%	36	100.0%	8	100.0%	84	100.0%

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data - Year to date August 31, 2005

During 2003, 2004, year to date August 31, 2005, Wellesley Bank extended two HMDA reportable loans to low-income borrowers representing 2.4 percent of total originations within the assessment area. Although this percentage is well below the 13.7 percent of low-income households within the assessment area, there are mitigating factors present that account for this disparity such as strong competition in the area, as well as the high cost of homes throughout the assessment area.

The Bank extended nine loans to moderate-income borrowers, representing 10.7 percent of the HMDA-reportable originations inside the assessment area. The number of loans to moderate-income borrowers is similar to the 10.1 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2004.

The following table shows the Bank's distribution of loans among various income levels compared to that of the other HMDA reportable lenders throughout the Bank's assessment area in 2004.

PERFORMANCE CRITERIA (CONTINUED)

Distribution of HMDA Reportable Loans by Income Level Wellesley Bank Compared to All Other Reporters – Assessment Area								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	Wellesley Bank		All Other Reporters		Wellesley Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	0	0.0%	308	2.2%	0	0.0%	48,744	0.9%
Moderate	2	5.6%	1,195	8.5%	398	2.0%	240,876	4.4%
Middle	3	8.3%	2,236	16.0%	722	3.5%	588,471	10.7%
Upper	28	77.8%	7,644	54.6%	17,610	86.4%	3,549,795	64.5%
NA	3	8.3%	2,612	18.7%	1,644	8.1%	1,072,153	19.5%
Total	36	100.0%	13,995	100.0%	20,374	100.0%	5,500,039	100.0%

Source: HMDA\LAR 2004 HMDA Aggregate Data

Wellesley Bank did not originate any loans to low-income borrowers during 2004, while the aggregate originated 2.2 percent by number and 0.9 percent by dollar amount to low-income borrowers during the same time period.

The Bank's HMDA reportable loans originated during 2004 to moderate-income borrowers accounted for 5.6 percent by number and 2.0 percent by dollar amount within the assessment area. Both number and dollar volume are also below the aggregate's lending to moderate-income borrowers for 2004, as 8.5 percent by number and 4.4 percent by dollar volume of the aggregate's lending were originated to moderate-income borrowers.

Based on the information above, the Bank's lending to borrowers of different income levels, especially those of low and moderate-income, reflects an adequate performance. Therefore, Wellesley Bank's performance in this area meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The HMDA-reportable loans originated in the Bank's assessment area were further analyzed to determine their location by census tract income level. In 2003, the assessment area was comprised of 38 census tracts: 9 or 23.7 percent were middle-income and 29 or 76.3 percent were upper-income. Due to the changes in tracts referenced earlier, the 2004 assessment area is still comprised of 38 census tracts however, 4 or 10.5 percent were middle-income and 34 or 89.5 percent were upper-income.

The following table provides a breakdown, by number, of the Bank's HMDA reportable loans within its assessment area according to census tract income level. The table also shows loans in comparison to the percentage of owner-occupied housing units in each of the census tract income categories.

Additionally, the geographic distribution of the Bank's loans by census tract category may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2004 and is also presented in the following table

PERFORMANCE CRITERIA (CONTINUED)

Distribution of HMDA Loans by Income Category of the Census Tract										
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2003		2004		2005-YTD*		Total	
			#	%	#	%	#	%	#	%
Middle	22.1	25.2	1	2.5	5	13.9	0	0	6	7.1
Upper	77.9	74.8	39	97.5	31	86.1	8	100.0	78	92.9
Total	100.0	100.0	40	100.0	36	100.0	8	100.0	84	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

As shown in the above table for 2004, 13.9 percent of the Bank's total loans by number and 11.0 percent by dollar amount were within middle income census tracts, which is below the aggregate. However, based on the demographics of the assessment area, it is deemed reasonable that a majority of the lending is upper income census tracts.

Wellesley Bank's overall geographic distribution of HMDA-loans reflects an adequate distribution of lending within the assessment area and is considered to meet the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

Review of Complaints

The Bank has no reported complaints that were relevant to its CRA performance since the previous examination.

Fair Lending Policies and Practices

The Bank's fair lending data was reviewed to determine adherence to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The Bank maintains a fair lending policy aimed at preventing illegal discrimination and that adequately addresses the Division's Regulatory Bulletin 2.3-101 and other aspects of fair lending.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities. For 2003, 2004 and year to date 2005, the Bank received 100 residential loan applications from within its assessment area. Three of these applications were received from minority applicants. Two of these applications were approved.

According to 2000 Census Data, the Bank's assessment area contained a total population of 188,550 individuals of which 11.1 percent are minorities. Aggregate information from 2004, indicated that 18,068 HMDA-reportable applications were received from other institutions within the assessment area, of which 9.2 percent were from minorities. In comparison, Wellesley Bank's minority application flow at 3.0 percent falls below the aggregate and below the percentage of minorities within the assessment area.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 40 Central Street, Wellesley, MA 02482

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.